ANNUAL REPORT
1986-87

Alberta Petroleum Incentives Program Fund

Alberta

ENERGY

Alberta Petroleum Incentives Program

ALBERTA PETROLEUM INCENTIVES PROGRAM (APIP)

Mailing Address
855 - 8th Avenue S.W.
Calgary, Alberta
T2P 3P1

Enquiries
Telephone (403) 297-4298

Additional copies of this annual report may be obtained from
Communications Branch
Alberta Petroleum Incentives Program
5th Floor, 855 - 8th Avenue S.W.
Calgary, Alberta
T2P 3P1

ISBN 0-86499-450-8
ISSN 0828-945X
PUB. NO. 162

Alberta
ENERGY

Office of the Minister

228 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-3740

March, 1988

The Honourable D. Carter
Speaker of the Legislative
Assembly of Alberta

Sir:

In accordance with section 2(6) of the Petroleum Incentives Program Act, I have the honour to submit the sixth annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ended March 31, 1987.

Respectfully submitted,

Neil Webber

Neil Webber
Minister of Energy

Alberta
ENERGY

Deputy Minister of Energy

Petroleum Plaza North Tower, 9945 - 108 Street, Edmonton, Alberta, Canada T5K 2G6 403/427-8032

March, 1988

The Honourable N. Webber
Minister of Energy
228 Legislature Building
Edmonton, Alberta
T5K 2B6

Sir:

I have the honour of presenting to you the sixth annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ended March 31, 1987.

Respectfully submitted,

M. F. Kanik
Deputy Minister
Energy Resources

Contents

	Page
General Background Information	7
Summary of Activities	8
Auditor's Report	9
Financial Statements	10
Notes to Financial Statements	11
Appendix - Summary of Incentive Grants	12

General Background Information

The Alberta Petroleum Incentives Program (APIP) was created by the Petroleum Incentives Program Act passed by the Alberta Legislature in November 1981, subsequent to the Canada/ Alberta Memorandum of Agreement Relating to Energy Pricing and Taxation signed in September 1981. Under the terms of the Agreement, Alberta undertook to administer and fund the portion of the federal Petroleum Incentives Program applying to oil and natural gas exploration and development activities in Alberta. The federal Petroleum Incentives Program was created in October 1980, to provide cash grants to Canadian owned and controlled companies in lieu of the earned depletion allowances provisions of the corporate income tax system.

APIP's objective is to encourage the exploration and development of Alberta's petroleum and natural gas resources. The program also supports work on tertiary oil recovery projects. Under the program, eligible applicants may obtain APIP incentive payments equal to a percentage of their incurred eligible costs and expenses, including exploration and development expenses for oil and gas wells; geological and geophysical expenses, and development drilling and asset costs related to tertiary oil recovery projects.

The APIP office is located in Calgary, where the majority of headquarter operations associated with Alberta's oil and gas industry are located.

Summary of Activities

A look back... fiscal year 1986-87

During the previous fiscal year, 1985-86, a change in the termination date of the Alberta Petroleum Incentives Program was announced, which had a significant impact on workloads during the current fiscal year. The original Petroleum Incentives Program Act specified that costs and expenses incurred between January 1, 1981 and December 31, 1986 would be eligible for incentives. In June 1985, the Government of Alberta announced that the eligibility period would be shortened to March 31, 1986, with some specific activities "grandfathered" to December 31, 1986. Furthermore the period for filing applications for APIP incentives, as well as for filing corrections to previously filed applications, was established as December 31, 1987.

As a result of these changes, applicants increased their filing rate to ensure that their incentives were received quickly. During the 1986-87 fiscal year, 10,061 applications were processed, and a total of $453 million in incentive payments were made.

From the beginning of the program to March 31, 1987, 35,399 APIP applications were filed and 34,745 processed. Incentives totalling $2,157 billion were paid for the following activities:

ACTIVITIES	(MILLION)
Exploration Drilling	$1,268
Development Drilling	441
Geological, Geophysical and Geochemical	251
Asset Costs, Unit Agreements and Drilling Contributions	75
Overhead	122
TOTAL INCENTIVES	$2,157

Auditor's Report

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Minister of Energy

I have examined the balance sheet of the Alberta Petroleum Incentives Program Fund as at March 31, 1987 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Donald D. Salmon

C.A.
Auditor General

Edmonton, Alberta
July 24, 1987

Alberta Petroleum Incentives Program Fund
Balance Sheet
As at March 31, 1987

	1987	1986
ASSETS		
Current:		
Cash	$ 2,550,338	$2,673,623
Incentive grant overpayments receivable (Note 3)	25,716,214	26,032,829
Due from the General Revenue Fund	29,558,201	255,031,089
	$ 57,824,753	$283,737,541
LIABILITIES		
Current:		
Incentive grants payable	$ 57,824,753	$283,737,541
	$ 57,824,753	$283,737,541

The accompanying notes are part of these financial statements.

Alberta Petroleum Incentives Program Fund
Statement of Revenue and Expenditure
For the year ended March 31, 1987

	1987	1986
REVENUE		
Transfer of non-renewable resource revenue from the General Revenue Fund	$231,139,766	$490,760,054
Interest	6,534,036	6,355,678
Fees for advance rulings	-	3,625
	237,673,802	497,119,357
EXPENDITURE		
Incentive grants:		
Exploration	111,895,613	239,860,150
Development	53,473,859	119,685,818
Geophysical	31,383,020	49,339,868
Unit agreement	5,807,940	11,724,325
Asset cost	5,171,804	10,747,298
Overhead allowance	23,181,467	57,156,084
	230,913,703	488,513,543
Administration expenses (Note 4)	6,612,653	7,669,268
Provision for doubtful debts	147,446	936,546
	237,673,802	497,119,357
	$ —	$ —

Alberta Petroleum Incentives Program Fund
Notes to the Financial Statements
March 31, 1987

Note 1 Authority

The Alberta Petroleum Incentives Program Fund operates under the authority of the Petroleum Incentives Program Act, Chapter P-4.1, Statutes of Alberta 1981. Incentives grants are not payable in respect of costs and expenses incurred after December 31, 1986. The final date for filing applications for grants is December 31, 1987.

Note 2 Significant Accounting Policies and Reporting Practices

General

These statements have been prepared in accordance with generally accepted accounting principles except that purchases of fixed assets are charged to administration expense (Note 4).

Incentive grants

Incentive grant applications received after the year end of the Fund but prior to July 1, are accrued.

Accrued grant applications are recorded at 89.2% (1986 - 87.2%) of the amount claimed unless the applications have been subjected to full assessment procedures. This adjustment is based on the reduction in the amount claimed that normally occurs during the assessment process.

Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Incentive Grant Overpayments Receivable

Incentive grant overpayments receivable includes accrued interest and is net of an allowance for doubtful accounts amounting to $7,288,007 (1986 - $7,655,266).

Note 4 Administration Expenses

Administration expenses are charged to the Fund pursuant to section 3(8) of the Act. Costs incurred during the year ended March 31, 1987 by the General Revenue Fund in connection with the administration of the Fund are summarized below:

	1987	1986
Salaries, wages and payments to contract employees	$3,822,077	$4,193,377
Professional, technical and labour services	1,759,948	1,816,608
Employee benefits	432,967	456,832
Materials and supplies	155,209	181,208
Data processing services	136,403	604,977
Repairs and maintenance	122,947	110,387
Equipment purchases	55,310	179,344
Travel expenses	41,182	31,749
Allowances and supplementary benefits	40,402	40,841
Freight and postage	21,118	15,157
Rentals	12,138	19,774
Telephone and communications	10,326	8,776
Hospitality	2,628	4,004
Advertising	-	6,234
	$6,612,653	$7,669,268

Note 5 Approval of Financial Statements

These financial statements have been approved by management.

Appendix

Summary of Incentive Grants for Fiscal Years Ended March 31, 1986 and 1987*

	1987	1986	Totals to Date
	$	$	$
Cash Incentives Paid	453,124,361	504,592,914	2,157,331,749
Incentives Accrued 1985	—	—	270,308,506
Reversal of 1985 Accruals ..	—	(270,308,506)	(270,308,506)
Incentives Accrued 1986	—	254,229,135	254,229,135
Reversal of 1986 Accruals ..	(254,229,135)	—	(254,229,135)
Incentives Accrued 1987	32,018,477	—	32,018,477
	230,913,703	488,513,543	2,189,350,226

NOTE: Incentives accrued represent estimated liability for Incentive Grants applied for but unpaid at the end of the fiscal year.

* This summary is provided by APIP and is not part of the Auditor General's Report.